Re-establishment of banking ties with Pakistan

1424. SHRI EKANATH K. THAKUR: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Public Sector Banks of India and Pakistan have reached an understanding to re-establish Banking ties between the two countries; and

(b) if so, the names of banks that are allowed to open the branches in the two countries and details of the respective policies and licensing norms?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) and (b) Reserve Bank of India (RBI) has issued a Press release on 7th November 2005 on granting permission for opening two branches of banks from India in Pakistan and two branches of banks from Pakistan in India, on a reciprocal basis. From ^ the Indian side, State Bank of India (SBI) and Bank of India (Bol) have expressed their willingness for opening/reviving their branches in Pakistan. From Pakistan side, Habib Bank Ltd. has made an application to RBI for opening a branch in India. The specific banks to be permitted to open the branches would be mutually agreed upon by the RBI and the State Bank, of Pakistan (SBP) keeping in view their respective regulatory policies and procedure. The licensing of subsequent or additional branches of the banks would be decided by RBI and SBP as per their policy and licensing norms applicable to foreign banks from time to time.

Exemption in tax deduction at source

†1425. SHRI MOTILAL VORA: Will the Minister of FINANCE be pleased to refer to the answer to Starred Question No. 27 given in the Rajya Sabha on 26th July, 2005 and state:

(a) what are the details of those 'certain conditions' under which provision has also been made in law for exemption in tax deduction at source;

†Original notice of the question was received in Hindi.

(b) the date by when Government would make available the details after obtaining from concerned Income Tax Offices, in respect of such major hospitals/nursing homes and coaching institutes which have either not deposited the TDS or have not deducted it at all; and

(c) what are the rules to initiate action against the defaulters togetherwith the number of entrepreneurs, major hospitals/nursing homes and coaching institutes against which action has been taken?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) Exemption from tax deduction at source from income from salary and income from professional fees has been provided in law in the following situations:

(i) No tax is liable to be deducted from the salary income where the estimated annual income of the employee is less than the minimum amount, which is chargeable to tax.

(ii) No tax is liable to be deducted from the payment of fees for professional services if the amount of professional fees likely to be paid by the payer during the financial year does not exceed Rs. 20,000/-.

(iii) Where such salary or professional fees is being paid by an individual or an HUF and such individual or HUF is not required by law to get its accounts audited or where such individual or HUF is paying such fees exclusively for personal purposes.

(iv) Where the person receiving such payments furnishes a certificate from his assessing officer to the effect that the estimated income of the person for the financial year is below the taxable limit.

(b) No exercise to compile the details of major hospitals, nursing homes and coaching institutes who have defaulted in deduction or deposit of TDS has been undertaken by the Government.

(c) The following action may be taken under the law for any failure in deduction or deposit of TDS:

(i) The amount of tax not deducted or not deposited after deducting, becomes recoverable from the defaulting deductor.

(ii) Along with the tax, interest at the rate of 12% per annum is also charged on the amount of tax not deducted or not deposited after deduction, from the date on which the tax was deductible to the date the same is deposited.

(iii) In case the deductor does not pay the amount of tax and interest, penalty for such non-payment may also be imposed.

(iv) For the recovery of the tax, interest and penalty levied on such defaulter, legal action for recovery including issue of notices, attachment of bank account, attachment and sale of movable and immovable property, etc. may also be taken.

In case of default in respect of non-payment of tax deducted at source to the credit of the Government, the defaulter is also liable for rigorous imprisonment for a term of three months to seven year, together with fine.

However, the number of entrepreneurs, hospitals, nursing homes and coaching institutes against whom such actions have been taken is not available.

Investment in PPF

1426. SHRI LALIT SURI: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to allow the Income Tax payers to invest total amount of Rupees One Lakh in the instruments of their choice, including the mutual funds investing in equity;

(b) if so, by when notification to that effect is likely to be issued;

(c) whether in view of the above position, those investing in PPF would also be allowed to invest upto one lakh in the said fund; and

(d) if not, the reasons for this discrimination?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) and (b) Section 80C inserted in the Income-tax Act by the Finance Act, 2005 provides for a deduction up to Rs. 1 lakh, from the income of an individual or Hindu undivided family, for investments made in the schemes specified therein. These